



RULE-MAKING ORDER

(RCW 34.05.360)

CR-103 (7/22/01)

Agency: Insurance Commissioner

- ☒ Permanent Rule
☐ Emergency Rule
☐ Expedited Rule Making

(1) Date of adoption: October 23, 2003

(2) Purpose: These rules will require that annual statements, quarterly statements, statements of actuarial opinion, audited financial statements and other financial reports be filed electronically only. Currently, statements and reports are required to be filed on paper as well as electronically. The transition from paper to electronic filings should increase the speed and efficiency of filing while lowering filing and storage costs.

Insurance Commissioner Matter No. R 2002-07

(3) Citation of existing rules affected by this order:

Repealed:
Amended: WAC 284-07-050, 284-07-060, 284-07-070, 284-07-100, 284-07-110, 284-07-130
Suspended:

(4) Statutory authority for adoption: RCWs 48.02.060, 48.44.050, & 48.46.200
Other Authority:

PERMANENT RULE ONLY (Including Expedited Rule Making)

Adopted under notice filed as WSR 02-16-091 on October 23, 2002 (date).
Describe any changes other than editing from proposed to adopted version: WAC 284-06-070 (2)(b) "cerate is changed to "create."

EMERGENCY RULE ONLY

Under RCW 34.05.350 the agency for good cause finds:

- ☐ (a) That immediate adoption, amendment, or repeal of a rule is necessary for the preservation of the public health, safety, or general welfare, and that observing the time requirements of notice and opportunity to comment upon adoption of a permanent rule would be contrary to the public interest.
- ☐ (b) That state or federal law or federal rule or a federal deadline for state receipt of federal funds requires immediate adoption of a rule.

Reasons for this finding:

(5.3) Any other findings required by other provisions of law as precondition to adoption or effectiveness of rule?:

☐ Yes ☒ No If Yes, explain:

(6) Effective date of rule:
Permanent Rules

- ☒ 31 days after filing
☐ Other (specify) _____ *

*(If less than 31 days after filing, specific finding in 5.3 under RCW 34.05.380(3) is required)

Emergency Rules

- ☐ Immediately
☐ Later (specify) _____

CODE REVISER USE ONLY

Name (Type or Print)

Mike Kreidler

Signature

Title

Insurance Commissioner

Date

10/23/02

(COMPLETE REVERSE SIDE)

**Note: If any category is left blank, it will be calculated as zero.
No descriptive text.**

Count by whole WAC sections only, from the WAC number through the history note.
A section may be counted in more than one category.

The number of sections adopted in order to comply with:

Federal statute:	New	_____	Amended	_____	Repealed	_____
Federal rules or standards:	New	_____	Amended	_____	Repealed	_____
Recently enacted state statutes:	New	_____	Amended	_____	Repealed	_____

The number of sections adopted at the request of a nongovernmental entity:

New	_____	Amended	_____	Repealed	_____
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The number of sections adopted in the agency's own initiative:

New	_____	Amended	<u>6</u>	Repealed	_____
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The number of sections adopted in order to clarify, streamline, or reform agency procedures:

New	_____	Amended	_____	Repealed	_____
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The number of sections adopted using:

Negotiated rule making:	New	_____	Amended	_____	Repealed	_____
Pilot rule making:	New	_____	Amended	_____	Repealed	_____
Other alternative rule making:	New	_____	Amended	_____	Repealed	_____

WAC 284-07-050 ((Annual)) Financial statement instructions. (1) For the purpose of this section, the following definitions shall apply:

(a) "Insurer" shall have the same meaning as set forth in RCW 48.01.050. It also includes health care service contractors registered under chapter 48.44 RCW and health maintenance organizations registered under chapter 48.46 RCW, and fraternal benefit societies registered under chapter 48.36A RCW.

(b) "Insurance" shall have the same meaning as set forth in RCW 48.01.040. It also includes prepayment of health care services as set forth in RCW 48.44.010(3) and prepayment of comprehensive health care services as set forth in RCW 48.46.020(1).

(2) Each authorized insurer is required to file with the commissioner an annual statement for the previous calendar year in the general form and context as promulgated by the National Association of Insurance Commissioners (NAIC) for the kinds of insurance to be reported upon, and shall also file a copy thereof with the NAIC. To effectuate RCW 48.05.250, 48.05.400, 48.36A.260, 48.44.095 and 48.46.080 and to enhance consistency in the accounting treatment accorded various kinds of insurance transactions, the valuation of assets, and related matters, insurers shall adhere to the appropriate Annual Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC.

(3) This section does not relieve an insurer from its obligation to comply with specific requirements of the insurance code or rules thereunder.

(4) ~~((Number of))~~ Annual statements:

(a) Until December 31, 2002, for domestic insurers, the statements are to be filed in triplicate to assist with public viewing and copying. Two statements must be permanently bound on the left side. The third statement must be unbound. The statements are to be filed in the Olympia office.

(b) Until December 31, 2002, for foreign insurers, except for health care service contractors and health maintenance organizations, one statement shall be filed in the Olympia office. For health care service contractors and health maintenance organizations, two left side permanently bound and one unbound statement shall be filed in the Olympia office to assist with public viewing and copying.

(c) After December 31, 2002, annual statements for all domestic and foreign insurers must be filed electronically with the commissioner. This includes the annual statement for the year ended December 31, 2002. Insurers must electronically transmit the annual statement, as described in subsection (2) of this section, in PDF or other format as noted on the commissioner's website. The commissioner has the discretion to allow an insurer to file annual statements on paper. The insurer must demonstrate that filing in electronic form will create an undue financial hardship for the insurer. Applications for permission to file on paper must be received by the commissioner at least ninety days before the annual statement is due.

(d) To comply with statutory requirements that annual statements must be verified by the oaths of at least two of the insurer's officers, insurers may:

(i) Use a method of electronic signature verification that has been approved by the commissioner for use by the insurer; or

(ii) File a paper copy of the signature and jurat page of the annual statement at the time of the electronic filing of the annual statement. This paper copy must contain the original signature of the company officers and the notary administering the oath. A foreign insurer may use facsimile signatures or reproductions of original signatures for its paper copy.

(e) Both the electronic annual statement and the verification of that statement by the oaths of two officers must be received by the commissioner to complete an annual statement filing. The date of receipt of the later of the electronic annual statement or verification is considered the receipt date of the annual statement.

(5)(a) Each domestic insurer shall file quarterly (~~((reports))~~) statements of its financial condition with the commissioner and with the NAIC. Each foreign insurer shall file quarterly (~~((reports))~~) statements of its financial condition with the NAIC. The commissioner may require a foreign insurer to file quarterly (~~((reports))~~) statements with the commissioner whenever, in the commissioner's discretion, there is a need to more closely monitor the financial activities of the foreign insurer. The (~~((reports))~~) statements shall be filed in the commissioner's office not later than the forty-fifth day after the end of the insurer's calendar quarters. (~~((Such))~~) The quarterly (~~((reports))~~) statements shall be in the form and content as promulgated by the NAIC for quarterly reporting by insurers, shall be prepared according to appropriate Annual and Quarterly Statement Instructions and the Accounting Practices and Procedures Manuals promulgated by the NAIC and shall be supplemented with additional information required by this title and by the commissioner. The statement is to be completed and filed in the same manner and places as the annual statement. Quarterly (~~((reports))~~) statements for the fourth quarter are not required.

(b) Quarterly statements, beginning with the statement for the quarter ended March 31, 2003, must be filed with the commissioner by electronically transmitting the quarterly statement as described in this subsection, in PDF or other format as noted on the commissioner's website.

(6) As a part of any investigation by the commissioner, the commissioner may require an insurer to file monthly financial (~~((reports))~~) statements whenever, in the commissioner's discretion, there is a need to more closely monitor the financial activities of the insurer. Monthly financial statements shall be filed in the commissioner's office no later than the twenty-fifth day of the month following the month for which the financial (~~((report))~~) statement is being filed. Such monthly financial (~~((reports))~~) statements shall be the internal financial statements of the company. In addition, the commissioner may require these internal financial statements to be accompanied by a schedule converting the financial statements to reflect financial position according to statutory accounting practices and submitted in a form using the same format and designation as the insurer's quarterly financial (~~((reports))~~) statements of insurers. "Financial statements" as used in this subsection includes:

(a) Statement of assets;

(b) Liabilities, capital and surplus;

(c) Statements of revenue and expenses; and

(d) Statements of cash flows.

(7) Health care service contractors shall use the ~~((Hospital, Medical, Dental Service or Indemnity Corporation's))~~ Health Statement Form promulgated by the NAIC for their statutory filings.

(8) Each health care service contractor's and health maintenance organization's annual statement shall be accompanied by ~~((a monthly enrollment data form (IC-16-HC/IC-15-HMO) and))~~ an additional data statement form (IC-13A-HC/IC-14-HMO).

(9) ~~((An insurer who on December 31, 1996, has not previously filed its annual or quarterly statements with the NAIC, shall comply with this rule for the year ending December 31, 1996, and each year thereafter. To enhance the intrastate and interstate surveillance of the insurer's financial condition earlier application is permitted.~~

~~(10))~~ The commissioner may allow a reasonable extension of the time ~~((within which such financial statements shall be filed))~~ for filing the financial statements. A request for an extension must be in writing. The request must be received prior to the due date of the filing and must state good cause for the extension. An extension can only be granted in writing; paper, fax, or e-mail is considered "writing" for purposes of this subsection.

AMENDATORY SECTION (Amending Order R 94-2, filed 1/27/94, effective 2/27/94)

WAC 284-07-060 Statement of actuarial opinion. (1) For purposes of this section "insurer" has the same meaning as set forth in RCW 48.01.050. It also includes ~~((a certified health plan registered under chapter 48.43 RCW,))~~ health care service contractors registered under chapter 48.44 RCW ~~((and)),~~ health maintenance organizations registered under chapter 48.46 RCW, and fraternal benefit societies registered under chapter 48.36A RCW.

(2)(a) Each insurer shall include with its annual statement, a statement from a qualified actuary, as defined in WAC 284-05-060, or as defined in subsection (4) of this section for domestic property and casualty insurers, or as defined in subsection (5) of this section for health care service contractors and health maintenance organizations entitled "Statement of Actuarial Opinion," setting forth the actuary's opinion relating to the insurer's reserves and other actuarial items, prepared in accordance with the appropriate *Annual Statement Instructions and Accounting Practices and Procedures Manuals* promulgated by the National Association of Insurance Commissioners. If an exemption is allowed by the *Annual Statement Instructions* and is approved by the domiciliary commissioner, an insurer shall be exempt from this requirement (unless the commissioner of Washington makes a specific finding, by order, bulletin, letter, or otherwise, that for a specific insurer, or one or more insurers, company compliance is necessary to carry out the commissioner's statutory

responsibilities). A certified copy of the approved exemption must be filed with the annual statement in all jurisdictions in which the company is authorized.

(b) After December 31, 2002, statements of actuarial opinion for all domestic and foreign insurers must be filed electronically with the commissioner. This includes the statement of actuarial opinion for the year ended December 31, 2002. Insurers must electronically transmit the statement of actuarial opinion, as described in (a) of this subsection, in PDF or other format as noted on the commissioner's website. The commissioner has the discretion to allow an insurer to file a statement of actuarial opinion on paper. The insurer must demonstrate that filing in electronic form will create an undue financial hardship for the insurer. Applications for permission to file a paper copy must be received by the commissioner at least ninety days before the statement of actuarial opinion is due.

(c) To comply with requirements that statements of actuarial opinion must be signed by the actuary, an insurer may:

(i) Use a method of electronic signature verification that has been approved by the commissioner for use by the insurer; or

(ii) File a paper copy of the signature page of the statement of actuarial opinion at the time of the electronic filing of the statement of actuarial opinion. The paper copy must contain the original signature of the actuary.

(3) This section does not relieve an insurer from its obligation to comply with other requirements of the insurance code or rules thereunder.

(4) With respect to statements of actuarial opinion for property and casualty insurers domiciled in this state, a person can demonstrate competency in loss reserve evaluation, and thus be considered to be a qualified actuary, only by being:

(a) A member in good standing of the Casualty Actuarial Society; or

(b) A member in good standing of the American Academy of Actuaries who has been approved as qualified for signing casualty loss reserve opinions by the Casualty Practice Council of the American Academy of Actuaries; or

(c) A person with documented experience, skill, and knowledge substantially equivalent to that required for either (a) or (b) of this subsection, acceptable to the commissioner. A person qualifying under this alternative (c) must be approved in advance by the commissioner, as prescribed by the *Annual Statement Instructions*.

(5) With respect to statements of actuarial opinion for health care service contractors and health maintenance organizations, the qualified actuary must be:

(a) A member in good standing of the American Academy of Actuaries;

(b) A person recognized by the American Academy of Actuaries as qualified for such actuarial evaluation; or

(c) A person with documented experience, skill, and knowledge substantially equivalent to that required for either (a) or (b) of this subsection, acceptable to the commissioner. A person qualifying under this alternative (c) must be approved in advance by the commissioner. In such a case, the health care service contractor or health maintenance organization must request approval at least ninety days prior to the filing of its annual statement.

AMENDATORY SECTION (Amending Matter No. R 95-18, filed 8/21/96, effective 9/21/96)

WAC 284-07-070 Statements to be filed in electronic form.

(1) For the purpose of this section, the following definition shall apply: "Insurer" shall have the same meaning as set forth in RCW 48.01.050. It also includes health care service contractors registered under chapter 48.44 RCW ~~((and))~~, health maintenance organizations registered under chapter 48.46 RCW, and fraternal benefit societies registered under chapter 48.36A RCW.

(2) Annual statements, quarterly statements, and other financial reports filed by an insurer with the commissioner or the National Association of Insurance Commissioners shall be filed in electronic form as well as on paper through December 31, 2002. All annual, quarterly, and other financial statements filed by an insurer after December 31, 2002, shall be filed with the commissioner in electronic form only according to WAC 284-07-050.

(3) Until the commissioner otherwise directs by letter, bulletin, or otherwise, generally or as to one or more companies, "electronic form" means, on a diskette, Internet filing, or File Transfer Protocol (FTP) filing, for all filings made prior to January 1, 2003. For all filings required to be made on or after January 1, 2003, "electronic form" will exclude diskette.

~~(4) ((Until the commissioner otherwise directs by letter, bulletin, or otherwise, generally or as to one or more companies, companies that operate only in Washington need not comply with subsection (2) of this section.~~

~~(5))~~ An insurer who on December 31, 1996, was not subject to this rule or has not previously filed in electronic form to the commissioner or the NAIC, shall comply with this rule for the year ending December 31, 1996, and each year thereafter. To

enhance the intrastate and interstate surveillance of the insurer's financial condition earlier filing is permitted.

~~((+6+))~~ (5) The requirement under this section applies to the extent that the NAIC has issued a diskette submission directive or has otherwise approved or prescribed an applicable diskette format for the particular class of insurer.

~~((+7+))~~ (6) The commissioner may allow a reasonable extension of the time ~~((within which such electronic form shall be filed))~~ for filing the financial statements. A request for an extension must be in writing. The request must be received prior to the due date of the filing and must state good cause for the extension. An extension can only be granted in writing; paper, fax, or e-mail is considered "writing" for purposes of this subsection.

AMENDATORY SECTION (Amending Order R 94-2, filed 1/27/94, effective 2/27/94)

WAC 284-07-100 Purpose and scope. (1) The purpose of this regulation, WAC 284-07-100 through 284-07-230, is to improve the Washington state insurance commissioner's surveillance of the financial condition of insurers by requiring an annual examination by independent certified public accountants of the financial statements reporting the financial position and the results of operations of insurers.

(2) Every insurer, as defined in WAC 284-07-110, shall be subject to this regulation. Insurers having direct premiums written of less than one million dollars in any calendar year and less than one thousand policyholders or certificate holders of directly written policies nation-wide at the end of such calendar year shall be exempt from this rule for such year (unless the commissioner makes a specific finding that compliance is necessary for the commissioner to carry out statutory responsibilities) except that insurers having assumed premiums pursuant to contracts and/or treaties of reinsurance of one million dollars or more will not be so exempt.

(3) Foreign or alien insurers filing audited financial reports in another state, pursuant to such other state's requirement of audited financial reports which has been found by the commissioner to be substantially similar to the requirements herein, are exempt from this rule if:

(a) A copy of the Audited Financial Report, Report on Significant Deficiencies in Internal Controls, and the Accountant's Letter of Qualifications which are filed with such other state are filed with the commissioner in accordance with

the filing dates specified in WAC 284-07-120, 284-07-190 and 284-07-200, respectively; and

(b) A copy of any Notification of Adverse Financial Condition Report filed with such other state is filed with the commissioner within the time specified in WAC 284-07-180.

Canadian insurers may submit accountants' reports as filed with the Canadian Dominion Department of Insurance.

(4) This rule shall not prohibit, preclude, or in any way limit the commissioner from ordering, conducting, or performing examinations of insurers under the rules, regulations, practices, and procedures of the insurance commissioner.

(5) After January 1, 2003, all reports and filings required by WAC 284-07-100 through 284-07-230 must be filed electronically with the commissioner. This includes the audit report for the insurer's financial statements for the year ended December 31, 2002. Insurers must electronically transmit the report or filing in PDF or other format as noted on the commissioner's website. The commissioner has the discretion to allow an insurer to file paper copies of reports and filings required by WAC 284-07-100 through 284-07-230. The insurer must demonstrate that filing in electronic form will create an undue financial hardship for the insurer. Applications for permission to file in hard copy must be received by the commissioner at least ninety days before the statement of annual statement is due.

(6) To comply with statutory or other requirements that reports or filings be signed or verified, insurers and accountants may:

(a) Use a method of electronic signature verification that has been approved by the commissioner; or

(b) File a paper copy of the signature or verification at the time of the electronic transmission of the report or filing.

(7) The report or filing and the appropriate signatures and/or verifications must both be received to complete a filing. The date of receipt of the later of the two parts of the filing is considered the receipt date of the report or filing.

AMENDATORY SECTION (Amending Order R 94-2, filed 1/27/94, effective 2/27/94)

WAC 284-07-110 Definitions. For the purposes of this regulation the following definitions shall apply:

(1) "Audited financial report" means and includes those items specified in WAC 284-07-130.

(2) "Accountant" and "independent certified public accountant" mean an independent certified public accountant or accounting firm in good standing with the American Institute of Certified Public Accountants and in all states in which they are licensed to practice; for Canadian and British companies, the terms mean a "Canadian-chartered or British-chartered accountant."

(3) "Insurer" has the same meaning as set forth in RCW 48.01.050. It also includes ~~((a certified health plan registered under chapter 48.43 RCW,))~~ health care service contractors registered under chapter 48.44 RCW ~~((and))~~, health maintenance organizations registered under chapter 48.46 RCW, and fraternal benefit societies registered under chapter 48.36A RCW.

(4) "NAIC" means National Association of Insurance Commissioners.

(5) "Policy holder" shall also mean subscriber.

AMENDATORY SECTION (Amending Matter No. R 2001-03, filed 10/18/01, effective 11/18/01)

WAC 284-07-130 Contents of annual audited financial report. (1) The annual audited financial report shall report the financial position of the insurer as of the end of the most recent calendar year and the results of its operations, cash flows, and changes in capital and surplus for the year then ended in conformity with statutory accounting practices prescribed, or otherwise permitted, by the commissioner.

(2) The annual audited financial report shall include the following:

(a) Report of independent certified public accountant.

(b) Balance sheet reporting admitted assets, liabilities, capital, and surplus.

(c) Statement of operations.

(d) Statement of cash flows.

(e) Statement of changes in capital and surplus.

(f) Notes to financial statements. These notes shall be those required by the appropriate NAIC Annual Statement Instructions and *NAIC Accounting Practices and Procedures Manual*. The notes shall include a reconciliation of differences, if any, between the audited statutory financial statements and the annual statement filed pursuant to RCW 48.05.250, 48.05.073, 48.36A.260, 48.43.050, 48.43.097(~~(17)~~), 48.44.095, or 48.46.080 with a written description of the nature of these differences.

(g) The financial statements included in the audited financial report shall be prepared in a form and using language and groupings substantially the same as the relevant sections of the annual statement of the insurer filed with the commissioner, and the financial statements shall be comparative, presenting the amounts as of December 31. However, in the first year in which an insurer is required to file an audited financial report, the comparative data may be omitted.